

TPA Due Diligence and On-Going Oversight Checklist

When Developing a Due Diligence Process Consider the Following:

	Design using a risk-based approach.
	Document the business rationale for outsourcing.
	What are key contents of the contract?
	The contract should have adequate description of services to be performed, including SLAs-without ambiguity.
	Document how the compensation is commensurate with work being provided.
	Ensure that the process is integrated with procurement and vendor management-as well which functional area has primary oversight responsibility.
	Does the TPA have specific compliance procedures: new regulation; complaints; claims' interest payments?
	Ask about the TPAs' policy and procedure development including key strokes.
	Are there appropriate controls around privacy and cybersecurity including incident tracking and remediation?
	What are the complaint and escalation volumes for other customers?
	Have there been regulatory actions/settlements involving business they administer?
	Has the TPA been involved in any litigation or the business they have administered?
	Ask for references from other companies' business administered by the TPA.
	What are the TPA's metrics and reporting capabilities?
	What is the TPA's management structure?
	Is there any off-shore administration expected or being done for other companies?
	What is the staffing for all the areas where there is proposed administration, including manager to FTE ratio? Confirm what is dedicated v. shared resources.
	What has been the staff and management turnover in the past 5 years?
	Does the TPA have a quality control process and internal audit process? Are the results available to the carrier?
	Has the TPA implemented segregation of duties?
	Ensure a thorough review of financial processes including management of suspense management?
	Document the mandatory training and training resources for staff and management?
	Review the last 5 years of SOC audit/reports.
	Confirm TPA Model (Model 90) language/requirements in the contractual language & and what constitutes a material breach.
	Review the licensing and appointment processing. Have other carriers had any fines associated with this processing?

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When Developing the On-Going Oversight Process Consider:

	Ensure that there is access to comprehensive policy files, including illustrations, underwriting files and marketing materials.
	Test that there is actual performance and adherence to contract.
	Implement semi-annual audits of the TPA including , one on-site (per Model 90).
	Review what training was completed and documented, including state specific mandated training.
	Include audits of the books, records and accounts.
	Require and collect annual certifications for key controls and processes.
	How has the TPA incentivized compliance and ethical behavior?
	Update the risk assessment and implement any changes to the oversight program.
	Focus on the tracking of red flags - missed SLAs; fraud referrals; privacy breaches including root cause analysis and remediation plans.
	Annually review the policy and procedures to ensure staleness.
	Has there been any staffing and management changes? How has that impacted the administration and consistent with the contract?
	Perform finance review of suspense accounts and financial audits.
	Review of legal referral, complaint and escalation trends and root cause analysis.
	Review of SLAs - timeliness of transactions including not in good order work queues.
	Review of implementation of new regulations and product implementations or other major projects.

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